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SUBJECT: PRESSING ITALY ON AFGHANISTAN CAVEATS AND IRAN

REF: A. A. ROME 00162

1B. B. ROME 00163

1C. C. ROME 00166

ROME 00000192 001.2 OF 004

Classified By: DCM Anna M. Borg for reasons 1.4 (b) and (d).

Summary

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11. (C) Visiting EUR/WE director Allegrone urged GOI officials to look hard at ways to enhance Italy's military contribution in Afghanistan. MFA officials responded that they were doing so, but had to tread carefully to avoid a veto of mission funding by far-left members of the governing coalition. An adviser to the PM said the GOI has launched a domestic public relations campaign to improve support for the mission. Senior MFA officials welcomed the Secretary's renewed engagement in the MEPP and on Iran pledged "effective implementation" of UNSCR 1737. The MFA's Near East Office Director Pezzotti said Italy was finalizing a package for the Lebanon donor conference of 100-150 million euros in assistance, soft loans, and export/import credits. The EUR/WE director noted the need to keep the pressure on Syria as long as it continued its negative behavior, especially on Lebanon. Regarding Kosovo, Allegrone outlined the U.S. goal of achieving a rapid solution and MFA Political Director Terzi agreed there was no turning back. End Summary.

Stay Course in Afghanistan; PM Launches PR Campaign

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12. (C) The Prime Minister's Deputy diplomatic advisor, Marco Carnelos, said PM Prodi, FM D'Alema and MOD Parisi had decided there will be no compromise on Italian participation in the Afghanistan mission, despite strong opposition by far left parties in the governing coalition. Carnelos said Prodi had decided to launch a domestic PR campaign to improve support for the mission. He said the PM's office will highlight the role of the UN and EU in Afghanistan, as well as civilian reconstruction efforts. They hope to use EU Afghanistan coordinator Francesc Vendrell's January 24 visit to explain, especially to the far-left, that Italy is not involved in Afghanistan as a favor to the U.S. but rather because the EU and UN think it is important. Carnelos said Italy was thinking of how it could do more in Afghanistan, especially in reconstruction and aid.

13. (C) Allegrone said the U.S. message in Brussels on January 26 will fit in well with the Italian call for

additional assistance, but asked whether there would be any change regarding caveats for troop movement. She noted EUR A/S Fried's January 12 meeting (ref b) with FM D'Alema in which he pressed Italy to bring ideas for enhanced commitments in Afghanistan, including on caveats, to the NATO FMs Ministerial on January 26. Carnelos said he foresaw no change in the Italian position on caveats. Allegrone followed up with MFA DG for Political Affairs Terzi. Terzi said the GOI had undertaken an internal review on the issue of additional equipment for ISAF (see ref c) but there was strong opposition to the Afghan mission by some parties in the ruling coalition and he could not predict what D'Alema would actually be able to present on January 26.

Follow EU Lead on Iran

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¶4. (C) Allegrone stressed the importance of maintaining pressure on Iran by following through on UNSCR 1737, especially on the financial side, with PM's advisor, Carnelos, and MFA DG Terzi. Both agreed and said Italy advocated "effective implementation" of 1737 to be coordinated within the EU. Carnelos added that working on Iran within the EU Council is tough, a sentiment echoed by Terzi who expressed frustration at the lack of a clear EU policy on Iran. MFA non-proliferation Director Formica said the January 22 GAERC meeting focused on the "effective implementation" of UNSCR 1737, extending its interpretation by the EU. He said Italy argued for a broad and effective interpretation of the Resolution and finds the result balanced. He said Brussels will prepare the common EU position next week to be followed by new EU legislation which will open the door to additional designations.

¶5. (C) On the question of the arms-embargo, Terzi said the Ministers had agreed to reaffirm the EU's existing "code of

ROME 00000192 002.2 OF 004

conduct" agreement (already in force for 10 years) against the sale of arms to Iran instead of a more formal ban on the sale of weapons. Formica explained the rationale for not including language on an arms embargo was that UNSCR 1737 did not contain such language. But he said the approach agreed upon, though weaker politically, will have the same practical result - i.e. no EU sales of conventional weapons to Iran. Terzi said that, given its recent experience with the Bank Sepah case, and others, that Italy was trying to improve its regulatory system on a national level by examining its legislation to see what loop-holes should be closed.

¶6. (S) Allegrone thanked Terzi for Italy's cooperation on Bank Sepah and asked what Italy was considering in terms of limiting export credits and financial transactions, both - she argued - key tools for putting pressure on the Iranian government and its proliferation efforts. Terzi said the Italian export-credit system was "fully aware" of the political aspects of all transactions with Iran and a decision had been made not to extend any new lines of credit.

In fact, he added, Italy's Iran credit insurance portfolio had actually decreased recently. MFA Near East Office Director Pezzotti expressed concern that the current path of sanctions risked a spiral of escalation that could lead to a situation in which the only exit would be through a military intervention. Allegrone pushed back that we can always "stop the spiral", noting that a path of increasingly robust sanctions did not necessarily imply use of military power, but at the same time we cannot take any tool off the table.

Iran Looking for U.S. Recognition?

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¶7. (C) Pezzotti said many informed interlocutors feel that what Iran really wants is not a nuclear weapon, but recognition by the U.S. of its status as a regional power. Allegrone rejected this suggestion, pointing out that the Secretary had recently repeated her offer to talk to Iran if

SIPDIS

they would agree to suspend enrichment. She argued that, if the real goal were U.S. recognition, then the Iranian regime could easily stop enrichment to hold a conversation.

Carnelos described Iran as a "big big" problem and said it has been emboldened by developments in the region. The only positive development, he said, is signs that President Ahmadinejad's popularity is decreasing. There had also been speculation that Supreme Leader Khamenei may be very ill, because he had recently missed an important event that he had been scheduled to attend. Noting the existence of multiple power centers in Iran, and substantial opposition to Ahmadinejad and the ruling regime, Carnelos observed that the only unifying force was the national consensus on asserting Iran's right to develop nuclear power.

Hopeful on MEPP with Renewed US Engagement

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¶ 8. (C) Allegrone told her interlocutors that the Secretary had returned from her trip to the Middle East encouraged, that she saw room to work with Olmert and Abbas, and that she looks forward to a Quartet meeting February 2 before returning again to the region. Officials in both the MFA and prime minister's office welcomed the Secretary's renewed peace process efforts. Pezzotti, MFA Director of Near East Affairs, said that both sides are weak and neither is in a position to make great concessions, but we must take this opportunity to build confidence on both sides. Dialogue is needed, and it will be important for the West to speak with a single voice.

¶ 9. (C) PM Prodi's Mid-East advisor, Carnelos, said Prodi remains emphatic in his support of the Quartet's three conditions for dealing with the Palestinian authority but, as a practical matter, would like to see formation of a government of national unity that could follow through on its commitments. Carnelos felt both the Israeli and Palestinian sides were too weak politically to achieve any significant progress on interim borders. He expressed concern that early elections on the Palestinian side could create further problems, since a Hamas win could not be ruled out.

Israel Pushes More Active Role for EUBAM

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¶ 10. (C) On the issue of EUBAM Rafah, Pezzotti said Italy was displeased with Israel's closures of the Rafah border crossing and has been pushing Israel to remove road blocks.

ROME 00000192 003.2 OF 004

Israel, meanwhile, has pressed Italy to enlarge the mandate of the EUBAM Rafah forces (currently under Italian command) to give the forces a greater role in controlling financial transactions across the border. The Italians have responded that they are not willing to contemplate enlarging their mandate unless Israel changes its own rules on opening of the border. EUBAM's current mandate expires May 24, so there is still time for agreement, said Pezzotti, but another challenging aspect to the situation is that it remains unclear with whom the EU will negotiate on the Palestinian side.

Prodi to travel to Mid-East; Quint to Meet Paris

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¶ 11. (C) Carnelos said PM Prodi planned to travel to Israel, Jordan and Saudi Arabia in February (he said Prodi would not/not go to Damascus or Tehran.) Pezzotti shared with us that the EU Quint (informal mid-east DG-level - UK, France, Spain, Germany, Italy - working group) planned to get together informally on January 25 after the Paris Lebanon Donors conference to prepare for the upcoming February 2 Quartet meeting.

Italy To Provide over 100 million for Lebanon

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¶12. (SBU) Allegrone thanked her interlocutors for the leading role Italy was playing in Lebanon and in particular within UNIFIL and encouraged Italy to show support for Siniora's government by bringing a significant pledge to the Paris donors conference. MFA Near East Director Pezzotti said, unlike the mission in Afghanistan, the mission in Lebanon is relatively uncontroversial domestically but Italy is already expending a substantial sum to support its UNIFIL commitment, and the assistance budget is tight. While details of Italy's pledge for Paris were still being worked out at the time of our meeting, Pezzotti said they were looking at a total package of 100-150 million euros: 30-50 million in soft loans; 50 million in projects; 32 million (40 with interest) in export/import credits; and some cash.

(Note: at the Paris conference January 25, D'Alema ended up offering an additional 120 million for Lebanon, including 65 million in credit assistance funds and 55 million in budgetary assistance. D'Alema also said Rome, one of Lebanon's leading trade partners, had offered to renegotiate its trade debt.)

¶13. (S/NF) Carnelos reaffirmed Italy's support for Siniora's government and noted that PM Prodi and Siniora speak almost once a week. Pezzotti said Italy was ready to take the UNIFIL command February 17. He noted reports from the field indicate UNIFIL is generally positively received from all sides and perceived as a neutral force. However, Italy has some information indicating terrorists (al-Qa'ida) have begun infiltrating camps in the South. Pezzotti said so far Hizballah hasn't wanted to provoke UNIFIL and is being cautious. DG Terzi said the effectiveness and safety of the UNIFIL operation would depend on political developments; UNIFIL troops had begun to see what he termed "light intimidation" by Hizballah, including complaints by locals, funneled through Parliament speaker Berri, of UNIFIL soldiers taking pictures without LAF presence.

Lebanon: Syria Won't Let Go

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¶14. (C) Allegrone said the U.S. felt it remained important to contain and isolate Syria and urged Italy to do the same. The PM's advisor, Carnelos, was 'not optimistic' on Syria and couldn't see an easy way out. He said the Syrians' only real objectives were to stop the international tribunal and regain influence in Lebanon. He said he had asked the Syrian Ambassador in Rome recently why Syria hadn't opened diplomatic relations with Lebanon, and the Ambassador had no response "although he had lots of words on everything else". Pezzotti said there have been talks within the EU of offering an economic package to Syria, but Italy was skeptical because what Syria really wants - Lebanon - it cannot have.

¶15. (C) Allegrone asked if Italy would support UNIFIL deploying along the Syrian border in an effort to prevent the flow of weapons across the porous border, stressing the importance to UNIFIL's overall success of stopping the flow of weapons. Pezzotti, Carnelos and Terzi all referred to a recent letter from Israeli PM Olmert to PM Prodi saying

ROME 00000192 004.2 OF 004

Hizballah has not stopped weapons smuggling and asking for UNIFIL deployment on the border. Pezzotti said the situation was "difficult" and would require Siniora's approval, which would be hard for him at the moment. Carnelos noted a UNSC change in UNIFIL's mandate would be necessary, but such a change could also increase tensions in the region and have a net negative effect. On the question of sending an unarmed, EU civilian border monitoring/training team (with no dual-use equipment) to the Syrian side of the border, Carnelos expressed frustration with the Syrians. Italy had repeatedly told the Syrians that acceptance would be a significant gesture of good will, but so far they hadn't accepted.

Kosovo - No Plan B

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¶16. (C) MFA DG Terzi said the Italian assessment of the recent elections was more positive than what had been reported by the international press. Terzi particularly appreciated A/S Fried's support (ref a) to help convince some less willing EU partners of the need to start Stabilization and Association Agreements (SAA) talks with Serbia as soon as possible. He thanked the U.S. for supporting PfP membership for Serbia which he said had had a positive impact and had probably helped shape the elections. Allegrone noted U.S. support for moving forward soon on the basis of the Ahtisaari recommendations. Terzi was hopeful that Russian concerns could be allayed and a Kosovo resolution could be put before the UNSC. He stressed that there is no Plan B.

Comment

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¶17. (C) All conversations were dominated by the Middle East and Afghanistan. The Italians face substantial domestic pressure, including within their own governing coalition, on the Afghan mission. Hence the need for a domestic PR campaign. Nevertheless, both the PM and FM have made clear that they are determined to stick by Italy's NATO, EU, and UN commitments there. They are proud of their leadership role in Lebanon, but concerned about political and security developments and the possible impact on their troops. They are also clearly pleased and hopeful about the administration's renewed engagement on the Israeli-Palestinian issue. On Iran, the MFA and the PM's office appear to get the point that financial pressure will be key to the effort to get Iran back to the table on the nuclear issue. But given the large and longstanding commercial relationship with Iran, we should expect to see the GOI seek to frame its actions on 1737 implementation as much as possible in an EU and UNSC context. End Comment.

¶18. (U) This cable was cleared by EUR/WE Director Allegrone.  
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